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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000008

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TAGS: [CH](#) [PGOV](#) [PREL](#) [TW](#)

SUBJECT: CHEN SHUI-BIAN APPEALS TO BASE, CONFRONTS
OPPOSITION IN NEW YEARS DAY SPEECH

REF: TAIPEI 4926

Classified By: AIT Director Douglas Paal, Reasons: 1.4 (b/d)

1. (C) Summary. President Chen Shui-bian's New Years Day speech surprised Taiwan with its harsh line toward the opposition Kuomintang party (KMT) and its reiteration of old ideas and charges. Political leaders across the blue-green spectrum had expected a more moderate, conciliatory speech in the wake of the ruling Democratic Progressive Party (DPP) December 3 election loss and President Chen's month-long "self-examination" sequestration and after numerous promises that the speech would be "very important." Following so closely on the heels of the DPP's December 20 legislative "surprise attack" on the KMT (Ref A), however, Chen's speech will only deepen the mutual distrust and antagonism between the Green and Blue coalitions and continue legislative gridlock. The unanswered question is whether and to what extent Beijing will signal its displeasure at Chen's saber rattling coolly or more emotionally. End Summary.

2. (C) In his 2006 New Year's address, Taiwan President Chen Shui-bian, departing from past practice of offering moderate and reassuring remarks on such occasions, chose this time to stress controversial themes such as the need to strengthen Taiwan identity, PRC plans to "annex" Taiwan, a timetable to develop and hold a referendum on a new Taiwan constitution, and the need to track down the opposition Kuomintang's ill-gotten party assets. Chen's address had been touted as a major new policy statement, and many DPP political leaders, in addition to pan-Blue politicians and the general public, were clearly surprised by both the content and the confrontational tone of Chen's speech.

3. (C) Over the next day and a half after Chen made his speech, a parade of government officials went before the press to clarify Chen's statement and to ensure the public that there would be no radical changes. Presidential Deputy Secretary-General James Huang told the press that President

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Chen's cross-Strait policy "has not changed," but explained that in the past Taiwan policy had focused to heavily on "opening" and not enough on "management." Economic Minister Ho Mei-yueh insisted that Chen's formulation of "Pro-active Management, Effective Opening" would not mean a retrenchment or tightening of cross-Strait policy or a resurrection of Lee Teng-hui's "Go Slow" policy.

Greens Surprised

4. (C) Nevertheless, many DPP political leaders were clearly caught by surprise by the content and tenor of Chen's speech. An uncomfortable Mainland Affairs Council (MAC) Chairman Joseph Wu acknowledged to hostile pan-Blue legislators yesterday, January 2, that he had not been informed of President Chen's decision to reverse the earlier "Pro-Active Opening, Effective Management" formulation. DPP candidate for Taipei Mayor and former legislator Shen Fu-hsiung told AIT that the rush of government officials to explain and defend Chen's New Year speech showed both the lack of coordination within the government and the limited scope of outside advice Chen is receiving.

5. (C) DPP Legislator and New Tide faction member Shen Fa-hui told AIT that he was disappointed with Chen's speech, which defined the party's December 3 defeat as the result of not adhering tightly enough to the party's fundamental values, including Taiwan independence. Chen, Shen suggested, is trying to stop the growing criticism of himself within the DPP, please the party's fundamentalists, and thereby stabilize his power in the party. Such a move, Shen continued, might help Chen but would not help the party. He predicted that Chen's speech will stop discussion and change within the DPP, which should be having a policy debate in the run up to the 2008 presidential election. The speech, he added, will also give the public the impression that the DPP is not willing to change and will limit the positions that potential DPP presidential candidates can take.

6. (C) Shen Fa-hui noted that there are two theories circulating within the DPP about Chen's statements on cross-Strait policy. The predominant view is that Chen's statement signals his intention to tighten rather than open

cross-Strait relations. The alternative minority view is that Chen wants to stabilize his base before further opening of cross-Strait economic relations. While the New Tide faction has publicly expressed its view on the need for Taiwan to further open cross-Strait economic links, he explained, it has been careful not to criticize Chen's speech in order to prevent factional struggle within the DPP.

17. (C). Shen Fu-hsiung told AIT that he "perplexed" why Chen made his speech which, he lamented, was "totally illogical." In the first place, he said, it was very inappropriate to criticize Ma Ying-jeou, particularly with Ma sitting right there, as this will only further alienate the KMT and prevent needed cooperation. Shen stated that the speech had been particularly disappointing after the numerous promises last week from Chen and his advisors that this would be very important speech, raising expectations. After nearly a month of seclusion and re-thinking and after all these promises, for Chen to now come out with such a "simplistic" set of policy options was particularly disappointing to moderate DPP members, Shen concluded.

KMT Responds Negatively

18. (C) KMT legislator and Defense Committee member Su Chi told AIT that the general KMT reaction to Chen's speech was very negative, and that most KMT leaders believe a beleaguered Chen, shaken by the DPP's loss in December's "three-in-one" elections, chose to consolidate his deep-Green support base in order to make himself feel "more secure." Su said Chen's attacks on the KMT have soured the KMT caucus against any cooperation with their DPP counterparts, at least for the short term. Su added that KMT Legislative Yuan (LY) Speaker Wang Jin-pyng is particularly upset, because he had hoped to play an important role in expanding cross-Strait links, whereas Chen's decision to tighten government oversight of cross-Strait relations and investment will narrow the opportunity for cross-Strait progress, and limit Wang's potential role.

19. Su also noted that there is little chance that a draft constitution promised by Chen would receive the three-fourths LY majority needed to put it on a referendum ballot, though it only takes one-fourth of the LY (55 votes under its present configuration) to put the issue on the agenda for debate. Thus, if Chen can secure 55 votes in the LY, said Su, he can use the constitutional debate to create a political firestorm within Taiwan and to provoke reactions from the PRC. Su surmised that Chen may be angling to play the China card during the 2008 presidential election, or to position himself after he leaves office to replace Lee Teng-hui as the godfather of Taiwan independence. While Chen may succeed in doing either of these, Su noted, he is dragging the DPP down in the process, which explains why the DPP's New Tide faction has become more openly critical of Chen in recent months. Su added that, while he personally does not support this view, some within the KMT have suggested the KMT should sit back as Chen continues to escalate his rhetoric, leaving it to the U.S. and/or China to rein Chen in, as they did in November 2003.

110. (C) National Taiwan University political science professor and former KMT member of the Mainland Affairs Council (MAC) Bau Tzong-ho told AIT that many in the academic community believe Chen's reversion to "fundamental" Green positions was largely motivated by frustration over the limited achievements of his administration. Bau said that Chen tried to become more moderate following his 2004 re-election, but, since China has and will continue to ignore the DPP government until Chen accepts the "one country, two systems" framework, Chen has little hope of improving cross-Strait relations during his remaining tenure. Bau mused that Chen is uncomfortable playing the moderate, and since he cannot accept the "One China" framework without alienating his core supporters, he has chosen to revert to his deep-Green roots, where he is ideologically most comfortable.

111. (C) Bau opined that Chen may also be trying to manipulate the China issue again to increase the DPP's chances in the 2008 presidential race. Chen's popularity is at an all-time low, Bau noted, and the DPP administration is widely viewed as corrupt and ineffective. Barring a spectacular comeback during his last two years, no Pan-Green presidential candidate would stand a chance running on Chen's presidential record. However, Bau continued, if Chen can get voters to focus on the China threat instead of his own record, the DPP might have a chance at holding on to the presidency. Chen could not exploit the "China issue" while cross-Strait relations were stable and improving, Bau told AIT, so Chen may be acting to darken Taiwan's views of the PRC. For example, Bau said, Chen must know a constitutional referendum has little chance of getting past the Pan-Blue dominated LY, and therefore must have raised the prospect of Taiwan independence to antagonize China. Bau acknowledged

that this divisive strategy had worked for Chen in the past, but expressed doubts that it would work as well again.

Comment: Why and Whither?

12. (C) The big question in Taipei is why Chen made such a confrontational speech on the heels of the DPP's heavy election loss to the KMT on December 3. Many KMT critics argue that Chen is just recognizing the reality that he cannot compete on the moderate stage with the Ma Ying-jeou-led KMT, has given up on his oft-reported hope to establish a "legacy," and is now turning back to his fundamentalist deep-Green base. All but the deepest Green political commentators over the past two days have made the case that Chen is returning to his "deep green" pro-independence fundamentalist base and consolidating its support. Another way of reading Chen and his speech is that neither really matters all that much. Chen has from time to time veered into radical, hard line statements only to follow up with inaction and little change. The steep 86-point Taiwan Stock Exchange (TaieX) decline on January 2, Shen Fu-hsiung noted, lasted only one day. By noon on January 3, the decline had just as rapidly regained its previous day's losses, indicating, Shen Fu-hsiung argued, that many in Taiwan "do not take President Chen seriously anymore."

13. (C) Following so closely on the heels of the DPP's December 20 legislative "surprise attack" on the Defense Procurement Special Budget (Ref A), however, Chen's speech will only deepen the mutual distrust and antagonism between the Green and Blue coalitions. Restitution of MAC funding, which was deeply cut in November, will now be difficult. Movement on the Defense Procurement Special Budget will also be difficult, but the possibility of some kind of action on P-3C anti-submarine surveillance aircraft appears to remain alive. The renewed and heightened inter-party hostility could also change the KMT's reticence toward the "Cross-Strait Peace Promotion Bill" of its pan-Blue coalition partner, People First Party (PFP), which would shift much of the government's authority over cross-Strait relations to the LY and its political free-for-all.

14. (C) While Chen's domestic audiences have responded to his speech, Beijing has thus far remained silent. Clearly the speech will reinforce the leadership's suspicions of Chen and his government. Any hope of progress on cross-Strait official dialogue, or international space for Taiwan, already extremely small, has been still further reduced. The immediate question is whether Beijing will signal its displeasure by imposing additional constraints on improvements in economic relations. Beijing would be wiser coolly to judge Chen to be weakened and on his way out, and continue the moderation of its rhetoric. This has, up to now, reduced the temperature of cross-Strait politics and clearly frustrated President Chen.

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